



BANCORP

BANCORP TREASURY SERVICES LIMITED

MARKET ALERT

Wednesday 22 January 2020 | www.bancorptreasury.com

CURRENCIES	Spot	6mths
NZD/USD	0.6601	0.0017
NZD/AUD	0.9637	-0.0019
NZD/JPY	72.47	-0.55
NZD/EUR	0.5950	-0.0051
NZD/GBP	0.5057	-0.0016
NZD/CNH	4.5589	0.0349
AUD/USD	0.6849	0.0031
AUD/EUR	0.6174	-0.0041
EUR/USD	1.1093	0.0124
USD/CNH	6.9066	0.0353
GBP/USD	1.3054	0.0074
EUR/GBP	0.8498	0.0047

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.75%
90 day bills	1.27%	0.85%
2 year swap	1.22%	0.71%
10 year Govt	1.54%	1.16%

Davos starts

Davos, the annual World Economic Forum get-together for the elite of the political and business worlds, has seen many speeches of great substance and rhetoric over the years.

This year, one of the first speakers at the summit was a certain Mr Trump. On the same day as opening arguments were heard at his impeachment trial in Washington, Trump's Davos speech expanded upon the virtues of his

Presidency, taking credit for America's "stunning turnaround," his administrations "extraordinary strides" and the country's "economic boom."

In other news from Davos, legendary stock market investor, Paul Tudor Jones, commented that equity markets remind him of early '99, stating "we are just again in this craziest monetary and fiscal mix in history. It's so explosive. It defies imagination," but then added, "the train has got a long, long way to go if you think about it." He did add a warning though that the outbreak of the coronavirus could be a "curveball" that could derail markets. Coincidentally, it was reported overnight that the virus had claimed a sixth victim, with a case also reported in the US.

Growing concern over the coronavirus is starting to unsettle markets.

Services sector takes a hit locally

The performance of the services index published by the Bank of New Zealand posted its worst results since 2012 for the last month of the decade. The index fell to 51.9, from a revised 52.9 in November.

Despite still being in expansionary territory, it raises concern as the manufacturing PMI posted contractionary results for December. It's difficult to determine whether this dip in

the PSI is a signal of weakness or a result of the material uncertainty prevailing through the latter part of last year.

The NZD was unchanged at the time of announcement, although it was interesting to note that one of the other major banks has changed its call for an RBNZ rate cut in 2020 with the call that local rates will now remain at 1.00% throughout the year.

BoJ holds

The BoJ kept its policy rate unchanged on Tuesday and noted that it expects the government's expansionary fiscal policy to help the economy grow slightly faster than previously projected.

The policy board held the short-term deposit rate at -0.10% and its target for 10-year Japanese government bond yields at around zero. The BoJ reiterated that global risks have retracted (US/China phase 1 and more certainty around Brexit) allowing the central bank to stand by for the time being.

The BoJ policy board now expects the Japanese economy to grow 0.8% in the year ending March 2020, compared to a forecast of 0.6% back in October last year. Despite the stronger growth outlook, the BoJ also lowered its inflation forecasts. The NZD/JPY eased marginally overnight, with the spread of the coronavirus prompting a 'risk-off' move.

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DAILY RATES

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.63					CAD	0.8628 0.8953
NZD/USD	0.6601	0.0003	0.0009	0.0017	0.0027	CHF	0.6389 0.6630
NZD/AUD	0.9637	-0.0003	-0.0009	-0.0019	-0.0044	CNY	4.5488 4.7201
NZD/JPY	72.47	-0.09	-0.26	-0.55	-1.15	DKK	4.4461 4.6135
NZD/EUR	0.5950	-0.0009	-0.0026	-0.0051	-0.0107	FJD	1.4305 1.4844
NZD/GBP	0.5057	-0.0003	-0.0008	-0.0016	-0.0036	HKD	5.1282 5.3214
						KRW	771.62 800.69
AU TWI	59.10					MYR	2.6849 2.7860
AUD/USD	0.6849	0.0005	0.0015	0.0031	0.0059	NOK	5.9241 6.1472
AUD/NZD	1.0377	0.0003	0.0010	0.0021	0.0047	SEK	6.2794 6.5159
AUD/JPY	75.20	-0.07	-0.20	-0.42	-0.85	SGD	0.8909 0.9244
AUD/EUR	0.6174	-0.0008	-0.0021	-0.0041	-0.0083	TWD	19.82 20.57
AUD/GBP	0.5246	-0.0001	-0.0003	-0.0006	-0.0014	ZAR	9.5563 9.9163
USD Index	97.54						
EUR/USD	1.1093	0.0022	0.0063	0.0124	0.0248	EQUITIES	
USD/JPY	109.81	-0.19	-0.54	-1.11	-2.18		Index
GBP/USD	1.3054	0.0013	0.0037	0.0074	0.0148	NZX50	11,805
EUR/GBP	0.8498	0.0008	0.0024	0.0047	0.0093	ASX200	7,066
						Dow Jones	29,182
						S&P 500	3,321
						FTSE100	7,611
						DAX 30	13,556
						Nikkei	23,865
						COMMODITIES	
							USD
						Dubai Light	63.68
						Brent Crude	64.80
						Gold	1,558.20
						Silver	17.81
						CRB Index	192.58

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	1.22%	1.18%	0.81%	0.79%
90 day bank bills	1.29%	1.25%	0.87%	0.83%
FRA 90d in 3mths	1.22%	1.19%	0.72%	0.67%
FRA 180d in 6mths	1.18%	1.15%	0.77%	0.73%
1 year swap*	1.21%	1.18%	0.72%	0.71%
2 year swap*	1.23%	1.20%	0.71%	0.70%
3 year swap*	1.26%	1.23%	0.75%	0.74%
5 year swap*	1.36%	1.34%	0.95%	0.94%
10 year swap*	1.68%	1.65%	1.27%	1.27%
10 year Govt bond		1.53%		1.16%

* Semi-annual rate resets except AUD 1,2,3 year quarterly

SOURCE: Bloomberg

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